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25 MAY 1965

MEMORANDUM FOR: Chairman, CIA Retirement Board

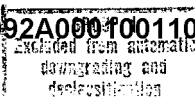
SUBJECT : Separation From Agency Employment of Participants
in the CIA Retirement and Disability System Who
Have Not Completed 5 Years of Agency Service

25X1A9a 1. During a briefing presented to the Staff of this Office by [REDACTED] Financial Adviser to the Retirement Board, on 29 April 1965 on the subject of CIA Retirement System, a problem of significance was disclosed which I feel needs to be resolved at an early date, if this has not already been accomplished.

25X1A 2. As you know, [REDACTED] provides that an employee may be considered for nomination as a participant after completion of 3 years of Agency service. Public Law 88-643 provides at Section 234(a) that, "Any participant who separates from the Agency after having performed not less than five years of service with the Agency, may, upon separation from the Agency or at any time prior to becoming eligible for an annuity, elect to have his contributions to the fund returned to him in accordance with the provisions of Section 241 or ... to leave his contributions in the fund and receive an annuity ... commencing at the age of sixty-two years." (Underscoring supplied for emphasis.) Section 241(a) provides that, "Whenever a participant becomes separated from the Agency without becoming eligible for an annuity or a deferred annuity ... the total amount of contributions from his salary with interest thereon ... shall be returned to him."

3. As indicated above, therefore, under the Agency retirement system "not less than 5 years service with the Agency" would be required before a participant acquires, upon separation, an option to leave his contributions in the Fund and draw a deferred annuity. The Civil Service Retirement System requires 5 years of civilian service to acquire the option of waiting for a deferred annuity. The Foreign Service retirement system provides for "obtaining at least 5 years of service credit toward retirement under the System," to acquire a deferred annuity but does not limit such service requirement to time spent under the Foreign Service retirement system.

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4. This problem will arise only in those cases where an individual had two or more years of creditable service in the Federal Government prior to entrance on duty with the Agency, had been designated a participant under the CIA Retirement System upon the completion of three years service in the Agency, and separates before completing five years of Agency service. For example, if an individual with 12 years of other Federal service becomes a participant under the CIA Retirement System after completing three years of Agency service were to separate from Agency employment during his fourth year of Agency service, he would receive from the Agency a refund of his contributions for over 15 years of Federal service, with no option extended to him to elect a deferred annuity.

5. His separation before completion of five years of Agency service would deny to him a substantial retirement benefit acquired prior to his Agency employment which he would have retained had he remained under the Civil Service Retirement System. Once separated from Agency service, the individual would have to obtain other Federal employment under Civil Service in order to re-establish any retirement benefits and permit him to purchase credit for the periods covered by his refund from the Agency. This would be extremely unfair and it is believed that such a denial to an individual was not intended.

6. It is requested that this problem be given prompt consideration so that separations of participants will not act to deprive them of deferred annuity benefits to which they would otherwise be entitled. It is recognized that this problem will not affect the first employees being considered for nomination as participants because they all have ten or more years of Agency service; however, it could affect other employees who may be considered for participation in the near future.

7. One method of obviating the extremely unfair situation discussed herein would be to advise all Career Services to defer recommending any employee as a participant who has two or more years of prior Federal Service until such person has completed at least five years of Agency service. Such action would require no changes to either the Agency regulations or the Act. Such employees would retain any accrued option they may have acquired to deferred retirement benefits under Civil Service Retirement. Likewise, an employee made a participant in the CIA system after five years of Agency service would retain his option to deferred retirement benefits.

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8. A variation of the foregoing solution for consideration would be to defer recommending any employee as a participant until after completion of at least 5 years of Agency service. This variation would simplify administration, but would reduce the income to the fund by the amount of the Agency's contributions matching the employee's contributions for the additional two-year waiting period and the interest which these funds might earn if invested in Government bonds.

9. Your consideration of the problem and advice of action taken will be appreciated.

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R. E. FUCHS
Director of Finance

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